

Message Text

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ACTION ARA-10

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R 132005Z JAN 75

FM AMCONSUL RIO DE JANEIRO

TO SECSTATE WASHDC 1973

INFO AMEMBASSY BRASILIA

AMCONSUL SAO PAULO

AMCONSUL RECIFE

AMCONSUL PORTO ALEGRE

:AMCONSUL BELEM

AMCONSUL SALVADOR

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E.O. 11652: N/A

TAGS: ENRG, BR

SUBJECT: BRAZILIAN PETROLEUM DEVELOPMENTS

REF: BRAZILIA 9135

SUMMARY: GOB OFFICIALS RESPONSIBLE FOR PETROLEUM
AFFAIRS HAVE ANNOUNCED ESTIMATED POTENTIAL OF NEW OIL
DISCOVERY MADE IN LATE-NOVEMBER OFF COAST OF BRAZIL.
MINES AND ENERGY MINISTER FORECASTS RESERVE OF 800 MILLION
BARRELS BASED ON THE ONE DRILLING COMPLETED TO DATE.
PETROBRAS PRESIDENT ESTIMATES UP TO 600 MILLION BARRELS AND
STATES THAT WITHIN TWO YEARS FIELD WILL BE PRODUCING
200,000 B/D. OTHER SOURCES STATE, HOWEVER, THAT PRO-
DUCTION IS UNLIKELY TO BEGIN FOR AT LEAST FOUR YEARS.

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USING THOSE FORECASTS, OIL FROM FIRST STRUCTURE BEING

TESTED WOULD FALL FAR SHORT OF MAKING BRAZIL SELF-SUFFICIENT IN PETROLEUM, ALTHOUGH PETROBRAS IS RAPIDLY MOUNTING DRILLING PROGRAM IN PROMISING NEARBY AREAS. EMBASSY BRASILIA CONCURS. END SUMMARY.

1. FOLLOWING THE ANNOUNCEMENT OF A MAJOR OIL FIND OFF THE COAST OF BRAZIL NEAR CAMPOS LAST NOVEMBER, SKEPTICS SPUN THEORIES AS TO THE VERACITY OF THE REPORT, WHILE GOVERNMENT OFFICIALS OUTSIDE THE PETROLEUM SECTOR PROCLAIMED A BONANZA (REFTEL A). ALTHOUGH MINISTER OF MINES AND ENERGY SHIGEAKI UEKI AND PETROBRAS PRESIDENT GENERAL ARAKEN DE OLIVEIRA WERE RELUCTANT TO SAY MUCH IMMEDIATELY FOLLOWING THE DISCOVERY, BOTH HAVE BEGUN SPEAKING OUT AUTHORITATIVELY RECENTLY.

2. MINISTER UEKI HAS ESTIMATED THAT RESERVES OF GAROUPA (THE FIRST STRUCTURE DRILLED IN THE CAMPOS BASIN) ARE 800 MILLION BARRELS, OR ABOUT THE TOTAL OF BRAZIL(S) EXISTING RESERVES. UEKI EXPLAINED THAT THE SIZE OF GAROUPA IS 30 TO 40 SQUARE KILOMETERS AND THAT OIL IS EXPECTED TO BE FOUND THROUGHOUT THE 120-METER DEPTH OF OIL-BEARING LIMESTONE. IN OTHER STATEMENTS UEKI HAS BROADLY IMPLIED EVENTUAL SELF-SUFFICIENCY IN PETROLEUM AS A RESULT OF CAMPOS FIND. GENERAL ARAKEN HAS STATED THAT THE GAROUPA RESERVE IS 500-600 MILLION BARRELS AND THAT WITHIN TWO YEARS THE FIELD WILL BE PRODUCING 200,000 B/D, OR SLIGHTLY MORE THAN BRAZIL'S CURRENT TOTAL PRODUCTION OF 180,00 B/D. (PETROBRAS "TECNICOS", HOWEVER, WERE QUOTED ON THE EFFECT THAT, BECAUSE OF EQUIPMENT SHORTAGES, FOUR YEARS WOULD BE THE MINIMUM TIME NEEDED TO GO INTO PRODUCTION.)

3. IN HIS OFFICIAL CLOSE-OF-YEAR MESSAGE FOR 1974 PRESIDENT GEISEL STATED THAT CAMPOS "OPENS FOR US THE PERSPECTIVE THAT A FEW YEARS OF HARD WORK AND DEVELOPMENT MAY LEAD TO INCREASING PETROLEUM PRODUCTION, AND PERHAPS OFFER REAL POSSIBILITIES FOR REACHING SELF-SUFFICIENCY."

4. PETROBRAS IS NOW DRILLING A SECOND WELL AT GAROUPA, HAVING COMPLETED THE FIRST ONE TO A DEPTH OF 3,800 METERS LIMITED OFFICIAL USE

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IN LATE DECEMBER. ARAKEN HAS STATED THAT AT LEAST THREE WELLS WILL BE REQUIRED TO DETERMINE GAROUPA'S TRUE PRODUCTIVE CAPACITY, WHICH WILL TAKE ABOUT SIX MONTHS. PETROBRAS OFFICIALS HAVE ACKNOWLEDGED THAT EQUIPMENT SHORTAGES ARE PRESENTING PROBLEMS, BUT THAT ALL OF PETROBRAS' EFFORTS AND RESOURCES WILL BE CONCENTRATED ON CAMPOS IF NEED BE, INCLUDING MOVING RIGS THERE FROM OTHER LOCATIONS.

5. ON DECEMBER 27 PETROBRAS ANNOUNCED SOME RESULTS FROM NEW DRILLING AT A STRUCTURE CALLED PARGO, WHICH IS 20 KM. FROM GAROUPA AND 75 KM. FROM THE COAST. (UEKI HAS STATED THAT THERE ARE 10 SIMILAR STRUCTURES IN THE CAMPOS BASIN.) OIL FOUND BETWEEN 3,006 AND 3,031 METERS IN SANDSTONE FORMATIONS TESTED AT A RATE OF 1,500 B/D. LIMESTONE RESTS BENEATH THE SANDSTONE AND DRILLING WILL CONTINUE TO A DEPTH OF 3,500 METERS. THE PARGO FIELD IS SAID TO BE ABOUT ONE-FOURTH THE SIZE OF GAROUPA, BUT HAS THE ADVANTAGE OF A WATER DEPTH OF ONLY 94 METERS, COMPARED TO 124 METERS AT GAROUPA.

6. COMMENT: ALTHOUGH THE SIZE OF THE ENTIRE CAMPOS FIELD PROBABLY WILL NOT BE KNOWN FOR QUITE SOME TIME, TENTATIVE CONCLUSIONS CAN BE DRAWN FROM THE INFORMATION TO DATE: (1) PETROLEUM GEOLOGISTS STATE THAT WORKING IN LIMESTONE FORMATIONS IS A HIGHLY UNCERTAIN AND TRICKY BUSINESS, ESPECIALLY AT DEPTHS SUCH AS AT GAROUPA; (2) THE GAROUPA STRUCTURE ALONE, IMPORTANT THOUGH IT MAY BE, EVEN BY OFFICIAL ESTIMATES WOULD AMELIORATE BRAZIL'S PRESENT PETROLEUM PROBLEM, BUT WOULD NOT SOLVE IT; IF GAROUPA CAME INTO PRODUCTION TOMORROW, THE COUNTRY WOULD STILL HAVE TO IMPORT WELL OVER 50 PERCENT OF ITS PETROLEUM NEEDS; (3) FOUR YEARS TO GO INTO PRODUCTION ON CAMPOS WOULD BE A LONG--AND EXPENSIVE--WAIT. PETROLEUM IMPORTS COST BRAZIL AN ESTIMATED \$2.8 BILLION IN 1974, AND AT LEAST THAT MUCH IS PROJECTED FOR THIS YEAR. MEANWHILE, PRODUCTION PROBABLY IS NOT KEEPING UP WITH CONSUMPTION INCREASES. PETROBRAS ANNOUNCED THAT FOR THE JANUARY-OCTOBER 1974 PERIOD PRODUCTION ROSE FOUR PERCENT OVER THE EQUIVALENT 1973 PERIOD. IT IS BELIEVED LIMITED OFFICIAL USE

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THAT CONSUMPTION INCREASED BY MORE THAN THAT RATE. CURRENT CONSUMPTION MAY BE LEVELING OFF SOMEWHAT BECAUSE OF INCREASES IN PETROLEUM PRICES. THE GOB HAS ALREADY DOUBLED PUMP PRICES DURING THE PAST YEAR. ALTHOUGH UP-TO DATE FIGURES ARE NOT AVAILABLE, INDICATIONS ARE THAT THE POLICY IS HAVING THE DESIRED EFFECT OF CURTAILING THE CONSUMPTION GROWTH. MOST BRAZILIANS SEEM SATISFIED, HOWEVER, BY THE REPORTS THAT THE END OF THE COUNTRY'S LONG PETROLEUM "DROUGHT" IS IN SIGHT. MILLER

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